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From: "Wang, Kevin" <KWang@riverstonellc.com>
Sent: Sat, 14 Apr 2018 12:06:23 +0000 (UTC)
To: "Zhu, Jingcai" <JZhu@riverstonellc.com>
Cc: "Babaria, Neil" <NBabaria@riverstonellc.com>
Subject: FW: KFM 2017 EBITDA

I've had to ask ARM about KFM EBITDA because the Alta Mesa team is clueless. However, Bo is not generally responsive..

From: Wang, Kevin
Sent: Thursday, April 12, 2018 8:26 PM
To: 'Bo Dunne'
Cc: 'Michael A. McCabe'; 'Ronald J. Smith'; Tamara Alsarraf
Subject: RE: KFM 2017 EBITDA

Hi Bo,

Just wanted to follow-up on the below. One of our investors has asked about KFM's 2017 EBITDA performance and I don't want to contradict anything in the public filings unless we understand any differences. I think \$33mm is more in line with what I was expecting – although below guidance of \$42mm (\$38mm without Expansion EBITDA), I can explain the delta as a 6 month lag in third party development. \$22mm would be harder to explain.

Regards,
Kevin

From: Wang, Kevin
Sent: Wednesday, April 11, 2018 10:39 PM
To: 'Bo Dunne'
Cc: Michael A. McCabe; Ronald J. Smith; Tamara Alsarraf
Subject: KFM 2017 EBITDA

Bo,

We were looking at the S-1 financials for KFM disclosure. The below seems to imply a 2017 KFM EBITDA of \$22mm (addback depreciation of \$9.8mm to income from operations of \$12.3mm). What are we missing here?

I think you had mentioned in February that we were expecting KFM EBITDA to be around \$33mm?

Regards,
Kevin

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https://www.sec.gov/Archives/edgar/data/1690769/000119312518109723/d507450ds1a.htm#fintoc507450_19

ALTA MESA RESOURCES, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | AMR (a) | Alta Mesa Historical (b) | Alta Mesa Non-STACK Assets Divestiture (c) | Post Non-STACK Assets Divestiture Subtotal (in thousands) | Kingfisher Historical (d) | Pro Forma Adjustments | Pro Forma Combined |
|--|-----------------|-----------------------------|---|--|------------------------------|--------------------------|-----------------------|
| Operating revenues and other: | | | | | | | |
| Oil, natural gas and natural gas liquids | \$ --- | \$ 287,413 | \$ (38,702) | \$ 248,711 | \$ 36,334 | \$ (34,191) | \$ 314,854 |
| Midstream revenues | --- | --- | --- | --- | 40,899 | (24,446) | 56,433 |
| Other revenues | --- | 5,580 | (518) | 5,062 | --- | --- | 5,062 |
| Total operating revenues | --- | 292,993 | (39,220) | 253,773 | 77,233 | (58,637) | 372,369 |
| Gain (loss) on sale of assets | --- | (27) | 17 | 10 | --- | --- | 28 |
| Gain on acquisition of oil and natural gas properties | --- | 3,284 | (3,458) | 1,826 | --- | --- | 1,653 |
| Gain on derivative contracts | --- | 8,247 | --- | 8,247 | --- | --- | 8,247 |
| Total operating revenues and other | --- | 304,297 | (42,661) | 261,636 | 77,233 | (58,637) | 379,999 |
| Operating expenses: | | | | | | | |
| Lease and plant operating expense | --- | 60,881 | (36,709) | 24,172 | --- | --- | 24,172 |
| Marketing and transportation | --- | 30,521 | (1,261) | 29,260 | --- | (14,446) | 14,814 |
| Midstream operating expense | --- | --- | --- | --- | 161,253 | (34,191) | 127,062 |
| Production and ad valorem taxes | --- | 1,728 | (1,764) | 364 | 1,441 | --- | 2,805 |
| Wardrobe expense | --- | 3,873 | (9,218) | (5,345) | --- | --- | (5,345) |
| Exploration expense | --- | 14,404 | (11,041) | 3,363 | --- | --- | 3,363 |
| Depreciation, depletion, and amortization expense | --- | 34,484 | (3,722) | 30,762 | 9,827 | 11,448 | 51,037 |
| Impairment expense | --- | 30,317 | (28,128) | 2,189 | --- | --- | 2,189 |
| Acquisition expense | --- | 1,144 | (805) | 339 | --- | --- | 339 |
| Franchise fee expense | 150 | --- | --- | --- | --- | --- | 150 |
| General and administrative expense | 2,129 | 53,561 | 107 | 55,797 | 3,367 | --- | 59,164 |
| Total operating expenses | 2,279 | 193,608 | (87,964) | 107,645 | 177,988 | 125,363 | 303,013 |
| Income (loss) from operations | (2,279) | 109,389 | 44,707 | 154,091 | 59,245 | (183,705) | (17,914) |
| Other income (expense): | | | | | | | |
| Interest expense, net | --- | (50,631) | (83) | (50,714) | (1,040) | 904 | (50,441) |
| Other income - Investments income of Trust Account | 6,492 | --- | --- | --- | --- | (6,492) | --- |
| Total other income (expense) | 6,492 | (50,631) | (83) | (50,714) | (1,040) | 904 | (50,441) |
| Income (loss) before income taxes | 4,213 | 58,758 | 44,624 | 103,377 | 58,205 | (182,801) | (17,914) |
| Provision for (benefit from) state income taxes | --- | --- | (5) | --- | --- | (1,815) | (1,815) |
| Provision for (benefit from) federal income taxes | 2,250 | --- | --- | --- | --- | (25,746) | (23,496) |
| Income (loss) from continuing operations | \$ 1,963 | \$ (58,263) | \$ 42,519 | \$ (14,390) | \$ 56,205 | \$ (175,322) | \$ (17,914) |
| Income (loss) from continuing operations attributable to non-controlling interest | --- | --- | --- | --- | --- | (37,618) | (37,618) |
| Income (loss) from continuing operations attributable to the combined entity | \$ 1,963 | \$ (58,263) | \$ 42,519 | \$ (14,390) | \$ 56,205 | \$ (137,704) | \$ (17,914) |

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